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TO AMEMBASSY SEOUL

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E.O. 11652: N/A

TAGS: EGEN, KS

SUBJECT: AMERICAN MOTORS IN KOREA

REF: SEOUL 6104

1. AT INSTANCE OF BILL HENDERSON OF USKEC WHO CONCERNED OVER IMPLICATIONS FOR U.S. INVESTORS OF POSSIBLE AMC WITHDRAWAL FROM KOREA, AMC VICE PRESIDENT VAN MERKENSTEIJN DISCUSSED AMC PROBLEMS IN KOREA WITH DEPTOFF AUGUST 10. HE EXPRESSED GREAT APPRECIATION FOR AMBASSADOR AND EMBASSY'S ASSISTANCE IN AMC'S PROBLEMS IN KOREA.

2. VAN MERKENSTEIJN CONFIRMED INFORMATION PARA 2 REFTEL. HOWEVER, HE ALSO SUPPLIED DEPTOFF WITH COPY OF MEMORANDUM ON THE JEEP CORPORATION IN KOREA GIVEN TO ROKG EMBASSY MINISTER YANG YOON SE AUGUST 2. THIS INDICATES THAT PHELAN SCENARIO IS SOMEWHAT FURTHER DOWN THE ROAD.

3. MEMORANDUM STATES THAT AMC HAS "TAKEN EXCEPTION" TO LIMITED OFFICIAL USE

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KOREAN "TENTATIVE DECISION" TO REPLACE JEEP WITH KOREAN-

DEVELOPED PRODUCT, AND ALSO STATES AMC'S DESIRE FOR "CLEAR EXPRESSION" FROM ROKG CONCERNING NOMINATION OF SHINJIN AS DEFENSE INDUSTRY. MEMORANDUM ASSERTS THAT NO CLEAR REPLY HAS BEEN GIVEN ON EITHER QUESTION.

MEMORANDUM, COPY OF WHICH VAN MERKENSTEIJN PLANS PROVIDE EMBASSY, AFFIRMS JEEP CORPORATION'S DESIRE TO CONTINUE OPERATING IN KOREA AND ITS WILLINGNESS TO ACCEPT A MINORITY EQUITY POSITION IN JOINT VENTURE.

4. MEMO STOPS SHORT OF SAYING WHAT AMC WOULD DO IF NOT NOMINATED AS DEFENSE INDUSTRY, BUT VAN MERKENSTEIJN CONFIRMS THAT AMC IS PREPARED TO DEPART KOREA UPON REPAYMENT OF ITS INVESTMENT PLUS RETAINED EARNINGS WHICH VAN MERKENSTEIJN ESTIMATED AS ABOUT \$1.8 - 2 MILLION. AT SAME TIME, VAN MERKENSTEIJN EXPRESSED STRONGLY THAT AMC WOULD NOT BE "KICKED OUT" OF KOREA.

5. VAN MERKENSTEIJN ALSO SAID AMC HAD HAD SOME DISCUSSION WITH KIA AND COULD FORESEE POSSIBILITY OF TECHNICAL SERVICE AGREEMENT WITH KIA.

6. VAN MERKENSTEIJN'S ASSERTION THAT FINAL DECISION HAD NOT BEEN MADE BY ROKG THAT JOINT VENTURE WITH FOREIGN PARTICIPATION COULD NOT BE DEFENSE INDUSTRY WAS CLOSELY QUESTIONED BY DEPTOFF ON BASIS EMBASSY REPORTING, BUT VAN MERKENSTEIJN INSISTED THAT DECISION WAS "NOT FINAL BY A LONG SHOT".

7. AS EMBASSY AWARE, VAN MERKENSTEIJN PLANS TO RETURN TO KOREA IN EARLY SEPTEMBER WITH JEEP GROUP PRESIDENT. HE REPORTS THAT HE HAS SOME INDICATIONS THAT AT THAT TIME HE WILL GET AN ORAL ANSWER TO HIS MEMORANDUM AND TO HIS EARLIER LETTER TO DEPUTY PRIME MINISTER NAM ON AMC'S PROBLEMS. ROBINSON

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